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- Gene BRADLEY

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When Gene Bradley asked me to be with you tonight, he asked if I would talk about the strategic position of the United States in the world today. Unfortunately, I can't do part of that because as your chief intelligence officer I stay \_\_\_\_\_ of the strategy and policy of our country. My job is to provide the facts and not to bias them in any way with regard to \_\_\_\_\_ one policy or another. What I would like to do to try to fulfill Gene's request as best I can is to tell you of the general directions that I am making in our country intelligence effort today and from that I can feel that you can discern the interest and concern the country is feeling and perhaps you \_\_\_\_\_.

To begin with let me talk about one of our major areas of intelligence and that of course is the military equation today. As we look around the world it is a vastly different situation for the intelligence people than it was say 30 years ago when the Central Intelligence Agency was founded. Clearly, at that time we were the dominant military power in the world. We had no one to challenge us seriously. Since then the Soviet Union having failed to grow adequately in other sectors has concentrated a great deal of its effort in military spheres as the most logical area in which it could compete with us. Today we find ourselves in a world of rough military parities. About parity I mean in the world of strategic intercontinental weaponry. While our courses are different both qualitatively and quantitatively I feel quite persuaded that the \_\_\_\_\_ for the Soviet Union can afford today to

consider this kind of warfare without unacceptable risks.  
When I speak of parity in the world of conventional armaments  
I'm not talking about our \_\_\_\_\_ armies, navies and air forces  
but again I'm talking about forces of sufficient comparability  
and neither side can, with any cavalier instinct enage each  
other in that kind of warfare without very, very serious  
to all concerned.

Now clearly when we are faced with this change from dominance  
<sup>rough</sup> to/parity the value of intelligence to our country's military  
strength becomes much more pungent than ever before. After all  
when you can discern the composition of the enemy force and  
\_\_\_\_\_ of its intentions, one has a great deal of leverage.  
When you know what the other side is thinking in some ways  
you can better adjust the plans and programming, and of course  
that is not all together \_\_\_\_\_ it takes good intelligence  
collection and analysis to bring it together. No one reveals these  
things but you have to pick them up piece-by-piece and over a  
period of time you can put the puzzle together, put it together  
in a way to give insight to diplomats who are negotiating things  
and insight to military leaders for planning their force composition  
and tactics.

So, today a large portion of our intelligence effort must be  
given over to the military field. But perhaps one of the striking  
changes in the last 2 years is that the \_\_\_\_\_ effort is  
also now important in economic sphere. Again if we look back 30  
years the United States was really totally independent of economic  
\_\_\_\_\_ and of course the dominant influence in the world economic

picture. To a group like this I need not emphasize how inter-dependent we and all the rest of the world are economically today and it's no big step from that to gauging how important it is that we be able from an intelligence point-of-view to have some knowledge of what's going on around the rest of the world so \_\_\_\_\_ anticipate the moves, hopefully don't come, by the Soviet Union, by the European economic community, by Japan, by others who have such an influence on all of us in every country of the world by their own economic actions. Today our intelligence efforts are trying to keep pace with this change that is coming in the economic situation of the world. Some of our major efforts of the past year have been tailored in this direction of economic analysis. For instance, last March we released to the public A Study of The World Energy Prospects for the Next Seven or Eight Years. We hope this will help contribute to the national debate on this critical issue. What we said in that report, sometimes it has been misquoted and misinterpreted, is not that the world is running out of oil, but simply that in the next seven and eight years, until the mid-1980s, we do not believe the world will be able to pump out of the earth as much of that golden fluid as it will want, to consume; and that there is very little you can do about that in the near term. The wells mostly lined up today, aren't going to be pumping in 1985. And therefor, either there will be considerable confrontation in the world and/or considerable pressures on energy crises. Last May we put out another economic study on The World Steel situation; and in this we pointed out that today there are

no major steel producing countries operating at much more than 75% of its total capacity. We see in the four or five years immediately ahead no prospect that demands are filled the requirements for that extra capacity. And on top of that we see that there are quite a few countries of the third world who are today, quite understandably, developing more capacity for producing steel in order not to be dependent on the major countries. In July we produced a report that would be of interest to some of you on International Terrorism. We made special efforts in this case to make this report available to the Department of Commerce, businesses and agents in the international sphere. This study looked at trends and developments in this area and tried to size up the future dimensions and problems which has unfortunately come up with the feeling the United States and its businesses are perhaps more vulnerable than ever.

In July we produced a study for the Joint Economic Committee of Congress on The Prospects for the Soviet Economy. This was a rather startling change in our previous survey of this field. Previously we had thought that the Soviets had the capacity within their economic structure to do three things at the same time; First, to make the effort that they are to catch up with us in the military sphere; the second was to improve, although not startlingly, the quality of life within the Soviet Union; and the third, was to develop with further investment the economy itself so that it would continue to grow. Our re-review of this this summer led us to some different conclusions; led us to the conclusion that prospects in

the five or ten years just ahead for the Soviet economy are perhaps more bleak than any time since the death of Stalin. Why? We believe the Soviets have developed their economy on the foundation stone that productivity remained high and grew by continued infusions of more <sup>labor</sup>~~paper~~ and more capital and that they are coming to the end of that era. First, because in the 1960s they had a very low birth rate, and we project demographically in the 1980s the rate of growth of the Soviet economy's labor force will drop <sup>from</sup> ~~to~~/about 1.5% a year today to about half a percent. On top of that the principal growth will come in Central Asian nationalities who don't migrate ~~quickly~~ rapidly and willingly to the cities. I am ~~not~~ saying this/~~to~~ the Soviet Counselor here to the left so Central Asia and I have some trepidation not knowing much about/~~the situation of~~ Russia, if you will forgive me sir. Secondly, the Soviet Union has of course in much of the rest of the world in what is capitally becoming more expensive and more difficult in their case reaching in many instances out into the Siberian wasteland where it's just much more prosperous. And in particular, if you go back to our energy study, we feel the Soviets are emphasizing current production rather than the balance of current production and the exploration for reserves. In fact we feel that the way they are emphasizing current production would in fact cut into their reserves which would result in the loss of oil in the current fields that they are operating. In fact if you read the Soviet five-year economic plan, you'll find that they say the same thing. They do not predict there will be

increasing inputs of capital and labor as there has been traditionally. Where we differ with their economists is they predict that nonetheless they will have increasing productivity. I would say to you, that may be the case but we don't happen to think it is in the cards. We see no signs of increasing efficiency and we see no willingness to become less shackled to the economic doctrines which we think are fundamental to their lack of adequate growth. Instead we see between now and the early to mid-1980s we think the Soviets will be faced with some very difficult pragmatic <sup>issue? choices?</sup> traces. On one hand, there may well be a debate over the size of the manpower that goes into their armed forces or the amount of the investment that goes into their sources to regress some of the shortages I've mentioned. On the other hand we see they may have to ask themselves will they fulfill their promise of about a million .6 barrels of oil a day to be delivered to the Eastern European satellites. Will they be able to do that with the constraints on them elsewhere of the demands for oil for the alternatives of obtaining hard currency foreign exchange for that oil. And with foreign exchange we see them faced with difficult questions about where they will obtain that amount of foreign exchange to keep up the infusions of Western technology which are one of the principal sources of their economic growth today. The Soviets are in debt for \$16 billion to the West, the rest of Eastern Europe \$24 billion and it is growing about \$5 billion a year. Where will they find the resources to continue this.

In short, there are difficult issues ahead and it would appear to us that there will be a high probability of a major leadership change in the Soviet Union as they approach these difficult choices. I don't know how that transition will go, but there is a possibility that it will be a difficult period to take difficult decisions. On the other hand, they may make just the right decisions and they may be willing to make the necessary sacrifices and the leadership transition and the state of the economy may go very smooth. But what I am saying, and I need not emphasize to an audience like this, is that whatever decisions they make are not going to be remote from you and from me. To the contrary they will be very important to all of us. What they do with their armed forces will obviously have a major impact on the amount of investment that this country continues to make in its armed forces. What they do with their oil export policy with respect to Eastern Europe will have a major impact on the stability of that area of the world and ~~xxx~~<sup>it</sup> too on what goes on in Western Europe. Whether they lead us into increased competition for the energy resources from \_\_\_\_\_ to \_\_\_\_\_ the companies and others will have a major impact on/price of energy around the world. And how much they enter the money markets in attempts to borrow from the Western countries will face us with difficult policy decisions.

Now let me just say that as we make forecast studies and publish them, such as these, I certainly don't want to pretend to slight the high reputation of the CIA in the past that we



believe we are revealing the future immutably. We recognize that we're giving our best reading of the situation. It may be wrong, but as I said earlier I hope that we're helping the country focus on the right issues in its debate. We do find that people disagree with us. For instance, there was considerable disagreement in the public media last March with respect to the Energy Study. It was very healthy for us. At first we wrote to every person who appeared in the media with a really rational argument against our study. I got responses from many of them. We called those who responded in and asked them to come and spend a day with us. We went over their arguments, gave them ours and we had a very, very useful exchange. And we hope that as more studies like this come off our presses and into the public domain, that we in the intelligence community, not just CIA but State Department's intelligence branch, Defense Department's intelligence branch - all of us, will have more dialogue, more interface with the American public in general. Now let me say if that surprises you, could it be that this has not been an objective of intelligence professionals in the past. Intelligence has traditionally operated under a rule of maximum secrecy. But any more, I think you can see because of this shift to more emphasis in the economic sphere, where there is such ability to shake information to the public and such benefit to doing that that we feel we should look today to a program of greater openness with the American public. So each time today we complete a major study, major review or estimate, we look at it, we ask ourselves no matter whether it's labelled SECRET or TOP SECRET or destroy

before reading, whatever else, we ask ourselves can we go through it and excise that information which would either reveal by various clues the way in which we got that information and which we want to continue to use in the future or would handicap our policymakers by taking away the advantage of their having particularly more inside information. If after we've taken out those necessary clues or bits of information, we feel there is enough left of substantive value to the American public, we will publish these studies openly and make them available to the Government Printing Office. I don't exaggerate to your appetite or exaggerate, intelligence is still a very secretive business and there is no way we can open up entirely or completely. And anyone who understands the international system today appreciates that very quickly. As I intimated our sources would evaporate and our decision-makers would fail to benefit from the fact that adversaries might not know how much we knew about them.

But while we are on this subject of secrecy, let me say that I think there are real benefits to this policy of greater openness that we are finding our way into as a matter of new routine today. One of those is that it will in fact help us protect the real secrets. Winston Churchill once said that if everything is classified SECRET nothing is secret and that is very true. And therefore, we hope by reducing the corpus of classified information to place greater value on that which remains; to have greater respect for it; not to have people like Ellsberg and Snepp running around revealing what they think should be unclassified. I would suggest to you

(breakation)  
of great concern tonight that we have reached the breaking point in our society when individuals like these feel that they can take it upon themselves to decide what should and what should not remain private and what should enter the public domain. I would suggest to you that we have reached a post-Watergate period in which we must again begin to place more trust in your elected officials and the public servants they appoint. Failure to do this can only lead to a logical extension of this theory that one man could declassify something and publish it openly which is that all 215 million Americans can do that. And that's chaos and the stakes are too high today for such. So I would suggest to you it's time we restore a moderate amount of faith in the public servants who make these decisions. But I ask you not to take us on faith alone, I ask you to recognize that in the process of building greater openness we are also today building greater controls, greater checks and balances. And again this is contrary to the tradition of intelligence men who have always wanted to operate under maximum secrecy with minimum supervision. But today, since we cannot have public total oversight of the intelligence process and still remain secretive in any degree, we are seeking ways of developing surrogates for your public oversight. The first surrogate I know of is the President of the United States and the second, the Vice President; and they really take a strong interest today and give me of their time and attention to know what's going on in the intelligence field. Another para-surrogates are two Committees of the Congress. The Senate Committee has been in action for a year and a half; the House

Committee has been in action for three months. They are a combination of a sounding board for us and an oversight process for us. I can turn to them and get a feel for what you, the American public, want out of us in terms of standards and morals and performance. And in turn, they knowing what you want can ask me questions and check on how we're doing it, and I have a very full exchange with them. This is new and there are other surrogate processes for checking on us, I won't go into them in detail but only would conclude by saying that we are in an exciting time in American intelligence today, because we are feeling our way into openness on the one hand and supervision and control on the other. I am confident that over the next several years, and it will take that long, we will find an appropriate balance between an appropriate amount of secrecy, an appropriate amount of openness, the necessary amount of controls, the necessary amount of initiative and \_\_\_\_\_ that much characterize an intelligence operation. Our security as a nation and in many ways the future of the world's safety are quite dependent upon the quality of the intelligence product that we can offer to you, to our major decision-makers. So the success of the intelligence community is a success of our Nation. The failures of the intelligence community are the failures of our Nation. You, and I cannot be indifferent to the infuctions of our intelligence world today. The fact that you have asked me to be here with you tonight is an indication of your interest and concern and I truly appreciate it. Thank you.